Multistage communication with and without verifiable types

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Abstract

We survey the main results on strategic information transmission, which is often referred to as "persuasion" when types are verifiable and as "cheap talk" when they are not. In the simplest model, an informed player sends a single message to a receiver who makes a decision. The players’ utilities depend on the sender’s information and the receiver’s decision, but not on the sender’s message. Furthermore, the messages that are available to the sender do not depend on his true information. As is well-known, such a unilateral "cheap talk" can affect the sender’s decision at equilibrium. In a more general model, both players can exchange simultaneous costless messages during several stages before the final decision. The utility functions are unchanged. Multistage conversation allows the players to reach more equilibrium outcomes, which possibly Pareto dominate the original ones. More precisely, the set of equilibrium outcomes of long cheap talk games is fully characterized; it increases with the number of communication stages and can become even larger if no deadline is imposed. Concentrating on cheap talk is not appropriate if the informed player can influence the decision maker by producing unfalsifiable documents. In order to capture this possibility formally, one assumes that the informed player’s set of messages depends on his private information. The literature has mostly dealt with unilateral persuasion. But multistage, bilateral communication enables the players to reach more equilibrium outcomes in the case of verifiable types as in the case of unverifiable ones. Equilibria of long persuasion games are fully characterized when information can be certified at any precision level.